

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Highways Operations
Date:	12 May 2022
Title:	Concessionary Fares Reimbursement 2022/23 Update
Report From:	Director of Economy, Transport and Environment

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Purpose of this Report

1. The purpose of this report is to seek approval to update the Council's approach to concessionary fare reimbursement for local bus operators from 1 April 2022 until 31 March 2023 in line with revised guidance from the Department for Transport (DfT).

Recommendation

2. That the Executive Member for Highways Operations approves a revised approach to concessionary fares reimbursement for local bus operators from 1 April 2022 until 31 March 2023, where reimbursement levels are based on the percentage of pre-COVID bus network an operator provides in line with the most recent Department for Transport (DfT) guidance.

Executive Summary

3. This paper seeks to set out the rationale for proposing to amend the approach to concessionary fare reimbursement payments for local bus operators between 1 April 2022 and 31 March 2023 that was approved by the Executive Member for Highways Operations on 27 January 2022.
4. The proposed amended approach would see the County Council reverting to reimbursing bus operators based on the percentage of pre-COVID-19 bus network that an operator provides. As an example, this would see an operator running 80% of the services which they were providing during 2019/20 receiving 80% of the concessionary fares reimbursement which they received during 2019/20.
5. This is the approach to reimbursement adopted by the Council in 2021/22.
6. This would provide additional funding to Hampshire's local bus operators, within existing County Council budgetary resources, to allow time for patronage levels to further recover and get closer to pre-Covid levels. This is particularly important following the impact of Omicron, and the corresponding Plan B restrictions, on recovering patronage levels.

Contextual information

7. On 27 January 2022, the Executive Member for Highways Operations approved the approach for concessionary fare reimbursement payments to local bus operators for the period 1 April 2022 to 31 March 2023 in line with the Covid-19 Recovery Strategy: Concessionary Fares Funding, October 2021 guidance issued by the DfT.
8. This guidance, and the approved Decision Day report, outlined a phased approach for reimbursements in 2022-23, facilitating the transition back down to actual concessionary patronage levels. This set out that the Council would initially pay concessionary fare reimbursement at 90% of pre-Covid levels in April 2022. This was followed by the principle that the Council would gradually decrease reimbursement payments to bus operators by 5% every other month until these payments met with actual patronage levels.
9. On 24 February 2022, the DfT emailed all Concessionary Travel Authorities (CTAs) stating that its suggested Recovery Strategy was published prior to the emergence of the Covid-19 Omicron variant and subsequent Plan B restrictions, meaning patronage levels had not recovered at the rate initially forecast. The DfT raised concerns, following its discussions with both LTAs and bus operators, over the impact that the implementation of the Recovery Strategy could have on service or demand levels.
10. Further to this, on 29 March 2022, the DfT issued its Concessionary Travel Alternative Strategy. Within this document, the DfT stated that for the 2022/23 financial year, CTAs should choose which is the most appropriate method of continuing concessionary fares funding at pre-Covid levels to ensure a smooth recovery period, from the following recovery options;
 - a. Reduce pre-Covid level payments in line with the recovery strategy contained within the Concessionary Travel Recovery Guidance, issued on 29 October 2021.
 - b. Maintain pre-Covid level payments for the duration of the 2022/23 financial year, should CTAs deem local circumstances require this.
 - c. Reduce pre-Covid payments in line with the *Alternative Recovery Strategy*. This strategy follows the same approach as set out in paragraph 7 but with a delayed implementation date of 1 July 2022.
 - d. CTAs adopt their own approach to pre-Covid concessionary reimbursement for the 2022/23 financial year. The DfT urged CTAs to be sensitive to the financial needs of operators and balance this against any alternative reduction in concessionary fare payments to mitigate immediate negative impacts to operators and service levels.
11. Following engagement with Hampshire's local bus operators, it was clear that the impact of omicron and plan B restrictions on the approved approach to concessionary fares reimbursement (option one of paragraph 9) would put a number of bus services in a vulnerable position and likely result in reductions.
12. To protect these services, and in the light of the revised guidance from DfT issued on 29 March 2022, it is proposed that the County Council implements the reimbursement approach used in 2021/22 based on the percentage of pre-COVID-19 bus network that an operator provides.

13. This approach follows the principles of option two within paragraph 9, maintaining pre-COVID level payments for the duration of 22/23 financial year, whilst also utilising the ability in option four to develop a bespoke approach for Hampshire's local bus sector. This provides the most appropriate support and security to Hampshire's bus operators to enable them to effectively plan their service provision and networks over the coming months while continuing to offer value for money.
14. Patronage of those who hold a concessionary bus pass has been slower to recover than that of passengers who pay a fare. This is for a number of reasons including higher levels of nervousness over using public transport and going to crowded places following the pandemic within this demographic and changes in shopping habits with an increased focus on home deliveries.
15. Providing Hampshire's bus operators a full year of pre-COVID reimbursement provides an element of financial security whilst patronage returns on a slower trajectory than that of fare paying passengers. It is for this reason this approach is proposed over option three listed in paragraph 9 which would see payments gradually reduce between 1 July 2022 and 31 March 2023.

Bus Recovery Grant

16. Bus operators have two forms of on bus revenue, the revenue through the concessionary fares scheme as discussed above and the fares passengers pay when they board the vehicle. Since the outset of the pandemic, the Government through successive grants, has been making up the shortfall of onboard fare revenue caused by passengers not travelling due to the impact of COVID.
17. The Government has extended its existing financial support for lost fare revenue through the Bus Recovery Grant for operators until 5 October 2022. This extension comes with a greater emphasis on Local Transport Authorities such as Hampshire County Council and Bus operators working together to ensure a viable network post October 2022.
18. The security of concessionary fare revenue between October 2022 and 31 March 2023 would aid this process and enable the partnership between bus operators and the County Council to design a financially sustainable network for the future based on further recovered patronage levels by both fare paying passengers and those who hold a concessionary bus pass.

Finance

19. The approach of maintaining concessionary fare reimbursement based on the percentage of pre-COVID-19 bus network that an operator provides as recommended within this report is affordable within the existing concessionary fares budget allocation, albeit costing potentially more than the original proposal. The proposed reimbursement is considered to provide value for money by ensuring the continuation of current bus provision to allow patronage of concessionary fare holders to recover over the coming year.
20. Government advice sets out the principle that when suppliers accept financial support from a local authority they are agreeing to operate on an "open book basis" and therefore will provide evidence that a profit is not being generated as a result of this financial support.

21. Reimbursement payments are made in arrears. This means that an operator will be reimbursed for the use of concessionary bus passes in April by the end of May. This means that the reimbursement approach approved in January has not yet been fully implemented as the vast majority of operators have not yet received their reimbursement payments for April 2022. This means that if this decision is approved, there will be no need for any payment reconciliation process for these operators.
22. Two operators receive a payment in advance at the start of each month due to the value of their reimbursement payment. If this decision is approved, the standard quarterly reconciliation exercise for these operators would ensure that payments already made were retrospectively adjusted to be in line with the new revised approach.
23. Hampshire County Council is able to fund the additional concessionary fare reimbursement for local bus operators as outlined in this report, to help support local bus operators this financial year in recognition of the slower than anticipated recovery of concessionary fare patronage following Covid. This is in line with Government objectives to support local bus services and operators. However this is 'one-off' funding as a result of savings due to the pandemic, and is not a sustainable longer term source of funding. In this context it is particularly disappointing that the Government recently made a decision to award no Bus Service Improvement Plan (BSIP) funding at all to Hampshire County Council, and a number of other authorities locally and across the Country. This is therefore likely to limit the extent to which the County Council can continue to support local bus services in the light of increasing financial pressures, including in the area of Highways Maintenance, for which central government funding has also been reduced for 2022/3 and frozen at the same level for future years, despite construction inflation running into double figures.

Performance

24. The principle of the English National Concessionary Travel Scheme is that bus operators should be no better or worse off for accepting a concession. In order for CTAs to reimburse at a higher level than that based on actual patronage, a temporary Statutory Instrument was successfully laid by Government on 14 March 2022. This provided CTAs, in principle, with both the ability and the legal grounds to make pre-Covid level payments, during the 2022/23 financial year.

Consultation and Equalities

25. The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the County Council's equality objectives.
26. The proposal to revert to the concessionary fare reimbursement arrangements adopted by the Council in 2021/22 is designed to minimise service reductions thus mitigating some of the impacts raised previously in the Concessionary Fares and Community Transport Contract Payments report approved by the Executive Member for Highways Operations on 27 January 2022. Specifically, the previous proposals were for a phased approach to reducing concessionary fares reimbursement payments to local bus and community transport operators. This could have led to a possible reduction in local bus provision which could

have had a negative impact on groups with the protected characteristics of age, gender, disability and race, that are proportionally more reliant on off-peak and rural bus networks for accessing services. Also, potentially the characteristic of religion or belief may have been impacted in relation to attending a place of worship on a Sunday, when bus services may be more limited.

27. The proposed revised approach reverts back to the reimbursement arrangements adopted by the County Council in 2021/22, and therefore has a neutral impact on all protected groups, as it proposes no change to the bus operator support for this financial year. However, it is worth noting that as this proposed approach provides more financial security for local bus operators than the decision in January, supporting the current bus provision and reducing the risk that local provision may be reduced, there is an indirect positive impact on the groups identified above, due to reverting to the previous status quo.

Climate Change Impact Assessments

28. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
29. The proposal within this report aims to better support Hampshire's local bus operators and lower the risk of large numbers of service reductions. Contributing to the viability of Hampshire's bus network supports the County Council's climate change priorities and provides alternatives to the private car with an associated minimisation and reduction of carbon emissions.

Conclusions

30. This recommendation would contribute towards maintaining the existing bus network in Hampshire which would allow some time for bus patronage to recover towards pre-pandemic levels. This additional time is especially important to build back the confidence levels of those who travel with a concessionary bus pass.
31. The recommendation set out in this report would provide continued support to the bus industry in Hampshire promoting the longer-term resilience of this sector contributing to the economic recovery from the COVID-19 pandemic. The recommendation is consistent with the latest advice from the Department for Transport and has no adverse budgetary impact on the County Council. By continuing to provide vital support to the bus industry at this time, the County Council is maintaining positive and productive partnership working between transport operators and Hampshire County Council.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Concessionary Fares and Community Transport Contract Payments-2022-01-27-ELMETE Decision Day (hants.gov.uk)	<u>Date</u> 27 Jan 2022
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

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